

# Nebraska State Legislature

**SENATOR HEATH MELLO**

**District 5**

**Legislative Address:**

**State Capitol**

**PO Box 94604**

**Lincoln, Nebraska 68509-4604**

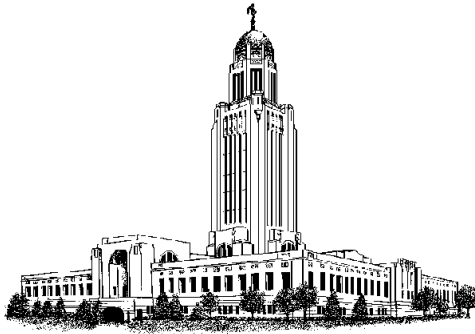
**(402) 471-2710**

**5315 B Street**

**Omaha, Nebraska 68106**

**(402) 612-9569**

**hmello@leg.ne.gov**



## **COMMITTEES**

**Chairperson - Appropriations  
Nebraska Retirement Systems  
Building Maintenance  
Committee on Committees  
Executive Board  
Legislative Performance Audit  
Legislature's Planning  
Reference  
Rules**

## **LR 455 Hearing- Testimony on LB1012 Property Assessed Clean Energy**

Thank you Chairman Haar, Chairman Larson, and members of the LR 455 Committee

I am here today to discuss LB 1012 from last session, a bill that adopted the Property Assessed Clean Energy Act. In 2010, I brought LB 1098, which similarly would have brought PACE to Nebraska. Various issues with residential mortgage priority status and potential financiers sidelined LB 1098. Last fall, the Federal Housing Administration announced that it had reached an agreement with the banking industry and I decided to bring back the concept of PACE this past session.

LB 1012 was introduced on January 15, 2016 and was enabling legislation for municipalities to create, by ordinance, a special district known as a clean energy assessment district. The purpose of the district is to encourage, accommodate, and provide a means for property owners to finance energy improvements, such as energy efficiency, retrofitting, and the installation of renewable energy systems in residential and commercial properties.

LB 1012 received strong support at the hearing before the Urban Affairs Committee, it passed unanimously on final reading by the full Legislature on April 7, 2016, and was signed by the Governor on April 13, 2016.

LB1012 allows municipalities to arrange financing for residential and commercial property owners to make energy improvements to their property. Property owners would opt in to this program and the loan, including interest rates and administrative fees, would be repaid through the property owner's property tax bill over a length of time, up to 20 years.

Eligible improvements include installations or modifications designed to reduce energy consumption such as energy efficient windows and doors, upgraded HVAC systems, weather stripping, energy efficient fixtures, and much more. As enacted, the language in LB 1012 restricts updates to an improvement that is designed to reduce energy consumption or generate renewable energy.

While energy efficient improvements can significantly decrease a property's energy use and therefore an owner's utility bills, they often require high up-front costs to install. This is a significant hurdle for many families and business owners across Nebraska.

Property assessed clean energy, or PACE as the concept is known, helps to eliminate this barrier by allowing property owners to pay for energy improvements through their property tax bill. Because property taxes transfer with the property when it is sold, the costs associated with the energy efficiency improvements are repaid over time by the person benefitting from the improvement--the property owner.

Across the country PACE enabling legislation has been passed in 32 states plus Washington DC, and there are currently 2,059 municipalities with active PACE programs. LB1012 is good for homeowners and commercial property owners by reducing their energy consumption and therefore reducing their energy bills and reducing greenhouse gas emissions. Additionally, PACE has the potential to create new jobs in Nebraska by increasing the demand on the building trades industry. A University of California at Berkeley study shows that if PACE were implemented widely it could infuse \$280 billion into the economy via bond financing. This same study showed serious environmental benefits that result from legislation like LB1012.

I have brought with me today a couple handouts for committee members.

The first includes:

- a background and history of efforts to bring PACE to Nebraska
- a summary and section by section review of the slip law copy of LB 1012
- a step by step guide of how PACE works
- a map of states who have authorized PACE
- AND, common questions about PACE

The second handout, is a copy of a presentation given by the Legal Counsel of the Urban Affairs Committee, Trevor Fitzgerald, at the recent League of Municipalities annual conference. Mr. Fitzgerald has made himself available to the committee today if there are any questions they may have for him.

For those in the audience interested in the handouts I've provided to the committee, I have posted links to the documents on my legislative website via [www.nebraskalegislature.gov](http://www.nebraskalegislature.gov)

There are others here today that will testify following me, including representatives from a few PACE financing companies, a representative from the Missouri Clean Energy District, and others who will discuss the importance of energy financing communities across Nebraska.

I would like to thank Senator Haar for prioritizing LB 1012 this past session and for his commitment to energy issues over the years.

With that, I would take any questions members may have.